

STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner of the Office of Financial and Insurance Services

In the Matter of:

enTerra Energy, LLC
2255 Glades Road, Suite 324A
Boca Raton, FL 33431

Enforcement Case No. 05-3501

enTerra Energy, LLC
One Memorial place
7633 East 63rd Place, Suite 300
Tulsa, Ok 74133

David G. Rose
942 Searcy Way
Bowling Green, KY 42103

Respondents

Issued and entered
on December 8, 2006
by Richard D. Lavolette
Chief Deputy Commissioner

ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Services (OFIS) of the Michigan Department of Labor and Economic Growth, pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended; MCL 24.201 *et seq.*; the Michigan Uniform Securities Act, 1964 PA 265, as amended; MCL 451.501 *et seq.* (Act), and the rules promulgated under the Act, says that:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Respondent enTerra Energy, LLC (hereafter "enTerra") is a corporation promoting and selling interests in oil and gas programs and is organized under the laws of the State of Florida, whose primary address is 2255 Glades Road, Suite 324A, Boca Raton, Florida 33431. enTerra's secondary address is One Memorial Place, 7633 East 63rd Place, Suite 300, Tulsa, Oklahoma 74133.
2. Respondent David G. Rose (hereafter "Rose") is the managing member of Respondent enTerra and his last known address is 942 Searcy Way, Bowling Green, Kentucky 42103.
3. Respondents implemented a website, www.4gasoil.com, to solicit investors.
4. From at least January 5, 2003 to December 16, 2004, Respondents Rose and enTerra, by or through the use of limited liability partnerships, sold limited partnership interests in enTerra Seven, LLP; Great Oklahoma Oil Deal, LLP; L-O-T Development, LLP; McKean County 3 Well, LLP; and Pennsylvania 3 Well Development, LLP to residents of the State of Michigan.
 - a. On or about November 10, 2003, [redacted] purchased a ½ unit in McKean County 3 Well, LLP for \$6,250.00.
 - b. On or about February 26, 2004, [redacted] purchased a ½ unit of Pennsylvania 3 Well Development, LLP, for \$10,000.00.
 - c. In March of 2004, [redacted], purchased a ½ unit in Pennsylvania 3 Well Development, LLP, for \$10,000.00.
 - d. In May of 2004, [redacted] also purchased a unit in Great Oklahoma Oil Deal, LLP for \$24,500.00
 - e. In May of 2004, [redacted] purchased a ½ unit in Great Oklahoma Oil Deal, LLP for \$12,250.00.
 - f. [redacted], purchased a ¼ unit in Great Oklahoma Oil Deal LLP for \$6,125.00.
 - g. In October of 2004, the [redacted] also purchased a ½ unit in LOT Development, LLP, for \$14,875.00.
 - h. In December of 2004, [redacted] purchased a ½ unit in enTerra Seven, LLP, for \$9,610.00.

5. The limited liability partnership interests sold by Respondents are securities under Section 401(z) of the Act, MCL 451.801(z).
6. At no times material herein, was Respondent Rose or enTerra registered by OFIS as securities agents, or as National Association Securities Dealers (NASD) securities representatives.
7. Section 401(c) of the Act, MCL 451.801(c), defines "Agent" as any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities.
8. Respondent knew or had reason to know that Section 201(a) of the Act, MCL 451.601(a) prohibits a person from transacting business as a securities agent unless registered under the Act.
9. Respondent Rose effected or attempted to effect purchases or sales of limited liability partnership interest issued by enTerra Seven, LLP, Great Oklahoma Oil Deal, LLP; L-O-T Development, LLP; McKean County 3 Well, LLP; and Pennsylvania 3 Well Development, LLP.
10. Section 401(d) of the Act defines "Broker-dealer" as any person engaged in the business of effecting transactions in securities for the account of others or for his or her own account.
11. Respondent knew or had reason to know that Section 201(a) of the Act, MCL 451.601(a) prohibits a person from transacting business as a broker-dealer unless registered under the Act.
12. Respondent enTerra Energy, LLC, transacted business in the State of Michigan as a broker-dealer by effecting transactions in enTerra Seven, LLP; Great Oklahoma Oil Deal, LLP; L-O-T Development, LLP; McKean County 3 Well, LLP; and Pennsylvania 3 Well Development, LLP for the account of others.
13. Respondents Rose and enTerra Energy LLC, offered and sold as unregistered agents and/or broker-dealers, securities that were not registered, nor exempt to residents of the State of Michigan, on at least seven occasions for a total of \$93,610.00, which is a violation of Section 301 of the Act, MCL 451.701.
14. Transacting business in the State of Michigan as a broker-dealer or an agent in absence of registrations is a violation of Section 201(a) of the Act, MCL 451.601(a).
15. The securities offered and sold by Respondents are not exempt from either federal or state registration requirements pursuant to Section 18 of the Securities Act of 1933 and Rule 506 of Regulation D and Section 301 of the Act, MCL 451.701.

16. Respondents knew or had reason to know that Section 301 of the Act, MCL 451.701 states, it is unlawful for any person to offer or sell any security in this state unless 1 of the following is met:
 - a. It is registered under this act.
 - b. The security or transaction is exempted under Section 402 of the Act.
 - c. The security is a federally covered security.
17. Respondents are precluded from claiming an exemption under Section 18 of the Securities Act of 1933, and Rule 506 of Regulation D as Respondents attempted and/or solicited investors via their website www.4gasoil.com. Rule 506 and 502 specifically prohibit the offer or sale of securities by any form of general solicitation or general advertising. The use of an Internet website for the offer or sale of securities is considered general solicitation or general advertisement.
18. Section 402(c) of the Act, MCL 451.802(c) places the burden of proving an exemption or exception from the definition upon the person claiming it.
19. Additionally, the exemption is not available if any parties in interest are or have been subject to certain state administrative actions, court orders, judgments, decrees, or convictions, principally concerning wrongful acts involving the sale of securities. At least eight states have issued orders against Respondents for wrongful acts concerning the offer and sale of securities.
20. Furthermore, Respondents omitted material facts relevant to the offer, sale or purchase of securities.
21. Although at least eight states have issued Orders against enTerra, Rose, or companies controlled by Respondents, Respondents website omitted such material facts.
 - a. The State of Kentucky, Kansas, Illinois, Wisconsin, South Dakota, Ohio, and Pennsylvania issued an Order regarding Rose and another Order regarding Robo Enterprises, Inc., of which Respondent Rose was President.
 - b. On October 24, 2002, the State of Maryland issued a Consent Order regarding Respondent Rose for selling unregistered, non-exempt securities, and, selling such securities as an unregistered broker-dealer.
 - c. On July 11, 2005, the State of Ohio issued a Consent Agreement regarding Enterra Energy, LLC, Pennsylvania 3 Well Development, LLP, Great Oklahoma Oil Deal, LLP, and David G. Rose.
 - d. On July 11, 2005, the State of Ohio issued a Consent Agreement regarding Enterra Energy, LLC, Lot Development Wells, LLP, and David G. Rose.

- e. On or about July 29, 2005, the Franklin Circuit Court entered an Agreed Order of Permanent Injunction Pursuant to CR 65 between the Commonwealth of Kentucky and enTerra Energy LLC, enTerra Energy, David G. Rose, Energy Associates, Firm of Westbrook & Lang, McKean County 3 Well LLP, Pennsylvania 3 Well LLP, Great Oklahoma Oil Deal LLP, and various sales agents of these companies. The Commonwealth of Kentucky previously entered Orders against Rose on June 30, 1989, September 29, 1989, and July 28, 1997.
22. Respondent knew or had reason to know that Section 101(2) of the Act, MCL 451.501 prohibits any person in connection with the offer, sale, or purchase of any security, directly or indirectly from making any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.
23. Additionally, concerning the offer and sale of securities, the Respondents omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
24. Specifically, Respondents failed to provide financial statements, such as a balance sheet or income statement, to investors before making their investments a violation of Section 101(2) of the Act, MCL 451.501(2).
25. Omitting to state material facts in connection with the offer and sale of securities is a violation of Sections 101(2) and 409 of the Act, MCL 451.501(2), 451.809.

WHEREAS, Section 101(2) of the Act, MCL 451.501(2) of the Act, makes it unlawful to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; and

WHEREAS, Respondents failed to provide financial statements, such as a balance sheet or income statement, to investors prior to making their investments. Respondents have omitted material information investors would find necessary to make an informed investment decision; and

WHEREAS, Section 401(d) of the Act, MCL 451.801(d) of the Act defines "Broker-Dealer" as any person engaged in the business of effecting transactions in securities for the account of others or for his or her own account; and

WHEREAS, Section 201(a) of the Act, MCL 451.601(a), prohibits a person from transacting business in this state as a broker-dealer unless they are registered under the Act; and

WHEREAS, Respondent enTerra transacted business in this state as a broker-dealer and the records of OFIS disclose that Respondent enTerra is not registered as a broker-dealer or agent under this Act; and

WHEREAS Section 401(c) of the Act, MCL 451.801(c), defines "Agent" as any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities; and

WHEREAS, Section 201(a) of the Act, MCL 451.601(a), prohibits a person from transacting business in this state as an or agent unless they are registered under the Act; and

WHEREAS, Respondent Rose transacted business in this state as an agent and the records of OFIS disclose that Respondent Rose is not registered as an agent under this Act; and

WHEREAS, Respondent Rose effected or attempted to effect purchases or sales of limited liability partnership interests issued by limited liability partnerships, enTerra Seven, LLP; Great Oklahoma Oil Deal, LLP; L-O-T Development, LLP; McKean County 3 Well, LLP; and Pennsylvania 3 Well, LLP; and

WHEREAS, Section 301 of the Act, MCL 451.701, prohibits any person from offering or selling any security in this state unless 1 of the following is met:

1. It is registered under this Act.
2. The security or transaction is exempted under Section 402.
3. The security is a federally covered security.

WHEREAS, Respondents offered and sold unregistered and non-exempt securities to Michigan residents; and

WHEREAS, Section 401(z) of the Act, MCL 451.801(z) defines what constitutes a security, including in part: any certificate of interest or participation in any profit-sharing agreement; and

WHEREAS, the limited liability partnership interests sold by Respondents Rose and enTerra are interests in a profit-sharing agreement; and

WHEREAS, based on the foregoing, OFIS Staff recommends that the Commissioner find that Respondents enTerra and Rose are engaged in acts and practices that violate Section 101, 201, 301 and 401 of the Act and Rules promulgated under the Act; and

WHEREAS, this action is necessary, appropriate, and in the public interest for the protection of the public and consistent with the purposes fairly intended by the policy and provisions of the Act.

IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, MCL 451.808 and Section 409 of the Act, MCL 451.809, that:

1. The Respondents enTerra and Rose shall immediately **CEASE AND DESIST** from transacting business in this state as a broker-dealer or agent without being registered under the Act and from offering to sell or selling unregistered securities in and from the State of Michigan.

2. Failure to comply with this ORDER will subject you to one or more of the following:
 - (a) A civil penalty of not more than \$1,000 for each violation of this Act, but not to exceed a total of \$10,000.
 - (b) A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.
3. You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services, Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909.
4. If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this Order will stand as entered and will be FINAL.
5. It is important to understand that any statements that you present in response to this Order may be used against you at a hearing. It is also important to understand that you have the right, at your own expense, to have an attorney assist you at a hearing.
6. Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Services, Attention: William Peattie, P.O. Box 30220, Lansing, Michigan 48909.

MICHIGAN DEPARTMENT OF
LABOR & ECONOMIC GROWTH

By:



Richard D. Lavolette
Chief Deputy Commissioner
Office of Financial and Insurance Services